

Chairman's Statement
Sen. Tom Coburn, M.D. (R-OK)
U.N. Headquarters Renovation:
No Accountability Without Transparency
June 20, 2006

Last July, this subcommittee held a hearing concerning the then \$1.2 billion renovation proposal for the United Nations headquarters in New York City. Since that hearing, the price of the proposal, referred to as the Capital Master Plan, has grown 45% and is now priced at \$1.7 billion. For a worksite that is over 2.5 million square feet, this would be \$697/sq. ft. To put this into perspective, the Ronald Reagan Building here in D.C. only cost \$263/sq. ft., but this was for a brand new building—not what should be a cheaper renovation.

As you can see on our poster, transparency is the first principle of accountability. It has been almost impossible to get an itemized accounting for where these cost projections come from. So I have sought advice from construction experts in New York City to get their take on the project. They have pointed out that, in addition to the already astronomical price tag, there are hidden execution costs that the U.N. has yet to consider. For example, there is no plan for the increased flow of traffic through security for the hundreds of construction workers, there is no plan for setting up a base of operations within the limited grounds area, and there is no plan for inevitable delays due to the nature of floor-by-floor renovations. In short, there is a lot missing from the current proposal that could cause the project to take up to 3 times as long to complete at a cost many times higher than the current \$1.7 billion price tag.

Even if the Capital Master Plan's price tag remains constant – and that's a big "if" - the U.S. share of the cost would be \$485 million. That's on top of regular dues of \$423 million annually plus all the special contributions, on the order of \$2.4 billion. What's more, the U.N. is putting the cart before the horse a bit - despite the fact the U.N. General Assembly has yet to formally approve the renovation proposal, the U.N. budget committee has gone ahead and asked for another hundred million dollars to start the project.

Even if the Capital Master Plan were workable – it will still be carried out by the same system responsible for the Oil for Food scandal – the largest financial scandal in history. Not one thing has changed in the U.N. procurement system since the world learned about the horrific and criminal misuse of funds intended to feed and medicate desperate Iraqis suffering under Saddam Hussein. Instead, the funds were diverted to kickbacks, illegal oil vouchers, corrupt officials, Saddam's palaces and cronies, and a slew of U.N. officials and vendors.

You would expect with revelations of this nature, the U.N. would have fired those responsible, that all involved would have been indicted and prosecuted and that massive reform would have been undertaken internally. Instead, the U.N. has not changed a thing about how it does business. Not a thing. The U.N. has not fired anyone responsible for the massive abuse of power and global taxpayer dollars associated with the Oil For Food program. To make matters worse, recent media reports and internal U.N. audits suggest the entire U.N. procurement system is plagued by corruption. In fact, as of last month,

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some of the vendors involved in the unfolding scandal are still doing business with the U.N.

Incredibly, a majority of U.N. member states have “dug in” to maintain the inexcusable status quo. Ironically, on the same day in April when the U.N. budget committee authorized *more* spending on the renovation project, the committee also voted *down* Secretary General Kofi Annan’s modest management reform package. I note that the countries who voted *down* these reforms contribute 12% of the U.N. budget. The 50 nations that voted *for* the reforms contribute 87%. Those of us paying most of the bills were outvoted by those who contribute much less to U.N. operations. And yet some of these developing countries are the very same ones most dependent on U.N. programs, and who in theory should most want efficient, transparent, effective and honest United Nations operations.

For planning, design, and pre-construction of the renovation project, the United Nations has appropriated \$152 million and spent \$36 million to date. You would not believe how difficult it is to find out how that money has been spent. We were here last year, asking the same questions about the then-\$20 million or so which was supposedly spent on planning and design. Now it’s twice that, still being spent on planning and design, and we can’t get access to the contracts, the actual outlays and disbursements telling us what we bought for this money. I note that industry experts tell us, as they told us a year ago, that design work should cost no more than 6%.

Lack of transparency with spending on the Capital Master Plan is only an example. From the little we do know through leaked audit documents and investigative reporting, internal U.N. auditors themselves have complained that the lack of transparency in procurement and management is leading to gross problems with waste, fraud, and other criminal activity. They found that nearly a third of the \$1 billion in contracts that they reviewed was lost to mismanagement and corruption – the equivalent of the *entire U.S.-paid portion* of this procurement was lost to corruption. If we could save our peacekeeping donations from this waste and fraud for just two years, it would more than fund the U.S. portion of the Capital Master Plan.

Thanks in large part to the hard work of our witness, Ambassador John Bolton, we have a window of opportunity to bring reforms. The Ambassador and our allies insisted that the U.N. adopt important reforms before the entire biennial budget is approved. The deadline is fast approaching when the money will run out, and instead of passing the reforms required to approve the rest of the budget, the U.N. has voted *DOWN* the reforms. I have to tell you, Mr. Ambassador, I’m not sure how I go back to Oklahoma and tell people that we should just let that go, and send more of their hard-earned money into a black hole.

Last Monday, I traveled to the United Nations and met with representatives from G77 countries including Chile, Egypt, India, Pakistan, Singapore and Thailand. When I made

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the case for full transparency within the entire U.N. system—similar to the Freedom of Information Act here in the United States—each of these representatives wholeheartedly agreed that the U.N. must become transparent. This admission was especially heartening considering the G77 represents the overwhelming majority on the U.N. budget committee where such changes originate.

On this same trip, I also met with U.N. Deputy Secretary-General Mark Malloch Brown. Mr. Brown not only fully endorsed my call for transparency, but he also stated that he believes the U.N. is well on its way to this type of accountability. Furthermore, before I traveled to the U.N., I met with the ambassadors of top donors to the U.N.—Japan, Germany, and Great Britain. These countries, combined with the United States, contribute over 56% of the U.N. operating budget, and each representative agreed that the U.N. must become transparent.

With such overwhelming agreement from the U.N. Secretariat, the top U.N. contributors, and key representatives of the largest voting block at the U.N., it is possible to immediately enact a resolution that would bring complete transparency to the U.N.—a Freedom of Information resolution where member states, the press, and the general public have the right and ability to see exactly how the U.N. system is spending its money and conducting its business. I hope that the officials I met with are true to their word in next week's U.N. budget meetings and, despite the possibility that reforms are undermined again, will at the very least enact a Freedom of Information resolution.

Without full transparency, there will never be accountability at the U.N. There is a *rumble* growing outside the Beltway. People are fed up with Congress writing blank checks and not demanding performance and accountability. American people are demanding that their elected officials safeguard their money better than we have been. Today, a year after our first hearing on this topic, there has been little improvement in transparency for how money gets spent. The United States tax payer is the largest donor to the United Nations, and Congress must demand the following:

- First, post every contract and disbursement related to every contract for the Capital Master Plan on a publicly-accessible web site.
- Second, publicly commit to and begin work on expanding that level of transparency to all U.N. contracts, grants, and internal procurement.

Once we see a commitment to transparency, we can talk about approving the Capital Master Plan and the rest of the U.N. budget. We're not even asking yet for a reform or clean-up of the mess or prosecutions of corrupt individuals or vendors at this point – although we expect that to come. All we're asking for today is *sunshine* - opening up the books so that the public, the press, Member States and even the U.N. itself can see what is going on.

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In my field of medicine, we can't treat a disease until we diagnose it. This is just a first step, and without this fundamental commitment to accountability, Americans, and indeed, all global taxpayers, can not, in good conscience, continue writing blank checks to the U.N. system. We will be working with the Appropriations Committee on this problem as well. I want to thank all the witnesses for being with us here today. I look forward to hearing your testimony.

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